



March 10, 2022

To: Committee on Banking of the General Assembly of the State of Connecticut

RE: Raised Bill No. 272 An Act of Requiring Certain Financing Disclosures ("Proposed Legislation")

Hello everyone. First, thank you for the opportunity to be here today and allowing myself to represent the asset based lending and factoring community here in Connecticut as it relates to the proposed bill. A quick background, my name is Miin Chen and I have been employed by Siena Lending Group for almost 8 years. I started off with them as their Controller, moving to the CFO position and currently am the COO for the company. Siena Lending Group is an asset based lender based in Stamford, CT. Prior to joining Siena, I was the controller for Burdale Capital Finance which was also an Asset based lender based in Stamford.

Since Siena has been in business in 2012, we have closed 152 deals totalling almost \$1.8 billion in facilities. These facilities help our target demographic of middle market companies that need working capital lines of credit. We often step in when banks cannot and offer an alternative financing and offer them tailored solutions structured around what we call a borrowing base to meet their liquidity needs.

We provide our clients with their liquidity through weekly, sometimes even daily monitoring of their accounts receivable and inventory which is their collateral base for us. These facilities are revolving in nature and can go up and down depending on natural seasonality or current events and marketplace disruptions or lack of. As their sales goes up, so does their receivables and theoretically their availability to borrow. However, if the receivables do not collect, their availability could shrink. Sometimes this is timing, sometimes this is due to something that is happening in the industry and sometimes it could be due to a particular relationship – point being – there is a lot that can occur which makes an APR concept that much more difficult to fit into our business model.

Calculation of an APR is used for generally something with a fixed outstanding – mortgage, car loans – not for a revolving line of credit. You would need to need know the interest dollars which we can calculate but that needs to be based off a loan amount that I just outline can vary drastically – even a budgeted loan amount will be off and misrepresent the calculation based on factors that are out of the lender and client's control. Our clients business varies and at times there may be amendment necessary to aid our clients in their financing need based on their ever changing competitive landscape. These amendments come with terms and some of those terms include different fees for different levels of risks that we (Siena) is assuming – these are things that we cannot know at the onset of a loan document to be able to fairly represent an APR concept into our disclosures.

Before I even go further – I want to point out that for us to have closed those 152 deals totaling \$1.8 billion in facilities, in that same period of time, we had to look at over 2750 opportunities that totaled almost 34 billion in facilities. Why is this important? Because it points out the competitive landscape



that we operate in. At the onset of the process, our clients receive letters of intents or term sheets from us that detail out the expected terms. These terms include interest and fees as well as more technical items such as the very general construct of the borrowing base and what we would be taking on as collateral for the loan. Our clients receive numerous letters and make their own judgment on which terms and structures suits their needs the best. They are often advised by sponsors or consultants whom are experienced in the space and more so what the company does and what they need in their economic life cycle. Once a client accepts these terms, we then go through a rigorous due diligence phase where we perform field exams, site checks with the clients as well as our own internal documentation. The big item in the underwriting is the loan documentation stage. These loan agreements are reviewed by counsels for both ourselves as well as counsel that represents the clients. These are again, professionals who are well versed in the space, understand the structure nature of the business as well as the interest and fees associated with the loan documents. This is not a consumer signing up for a credit card or a local store owner going for loans – these are highly skilled individuals who have consultants that they rely on who are there to look out for the best interest of the company who are entering into these loan agreements.

The APR calculation can be extremely beneficial for a certain group of clients and financial products as well as audience. It works well for an environment in which terms are set and do not change. This allows for an APR to be calculated in a meaningful way that can then be interpreted by the client correctly when they lay out their options. For the ABL and factoring world, calculating any APR would be based on a set of assumptions that can change rapidly. This is not meaningful for any business owner or lender. A big fear of mine would be that if this bill was passed as is, it would result in numbers and calculations that would be out of date as quickly as it can be calculated. This would cause confusion amongst all and actually lead to many inefficiencies and lead to an environment where the lenders are trying to be transparent, but instead, clouds the entire process.

Speaking of transparency, our loan documents spell out exactly what fees are and how it is calculated. It is done so in a manner which is easy to interpret with definitions within the agreement. Even as I sit here today to talk to you, I can more easily walk you through the finances of a loan agreement than that of a credit card that I need to sign up for. Our association as well has standards that we work with and are understood within our industry. Not to mention the sponsors, consultants, and lawyers that work on multiple deals at a time with multiple lenders whose diligence would absolutely point out what is acceptable in the industry and what they had seen in the marketplace. I know that when we negotiate our terms with our lender, we absolutely ask our counsel for their opinion on terms and even unsolicited, they will point out items that are not consistent with market terms which we were unaware of. This is where the market is efficient and adding disclosures, that in my opinion cannot be calculated, will only lead to more time wasted on interpreting the calculation and taking away from what we truly want to do as an industry which is to get working capital in the hands of middle market businesses so that they can continue to do what they are passionate and good at. Lastly, I want to bring up an example of our own experience at Siena. When we opened for business in 2012, we were a group of 6 individuals. Today we are at 46 employees with more than half of the team based in Stamford, CT. One of our first clients was a local furniture manufacturer who had a vision of reinventing the traditional



sectional - Lovesac. After years of successful relationship with Siena, the company terminated their relationship with us as we had aided them through the first aspect of their growth. Upon termination, they then were able to IPO and is a national name. These are the companies that we finance and the dreams that we try to help achieve. These businesses as well as our professionals need to be working on getting the right structure and monitoring in place for these businesses and not be lost in calculating an APR which, as I've point out many times, just does not work in our realm of financing.

Thank you for your time,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Miin Chen

Chief Operating Officer